

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 OIC-02 STRE-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-11 NSCE-00
SSO-00 USIE-00 INRE-00 /148 W
-----089801 131454Z /45

O 131027Z MAR 78

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 7113

ALL WHEAT NEGOTIATIONS POSTS

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 03863

USOECN USEEC USMTN

PASS ELECTRONICALLY AGRICULTURE FOR HATHAWAY AND STR FOR
STARKEY

ALL POSTS FOR AGATT

E.O. 11652: N/A

TAGS: ETRD EAGR OCON

SUBJECT: WHEAT CONFERENCE - BENEFITS OF RESERVE STOCK
SYSTEM

REFERENCE: GENEVA 3658

1. FOLLOWING TABLING OF US PROPOSAL ON RESERVE SHARES
(REFTEL), WHEAT SUBCOMMITTEE MEETING ON MARCH 8 WAS OPENED
BY KEY QUESTION FROM PORTUGUESE DELEGATE "WHAT'S IN THIS
FOR IMPORTERS?" USEFUL DISCUSSION ENSUED DURING WHICH US
AND CANADA ENGAGED IN DEBATE WITH EC OVER FUNDAMENTAL ISSUE
OF BENEFITS TO IMPORTING COUNTRIES.

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2. BASIC ARGUMENT PUT FORWARD BY EC WAS THAT STOCKING PRO-
VISION ALONE WITHOUT ADDITIONAL ELEMENTS FOR THE EXCLUSIVE
BENEFIT OF MEMBERS (E.G., DATUM QUANTITIES) WOULD BE INSUF-
FICIENT INCENTIVE TO ATTRACT MEMBERSHIP TO A NEW AGREEMENT.

3. US INVENTORIED BENEFITS OF AN INTERNATIONAL AGREE-

MENT WITH RESERVES AS THE CORE ELEMENT SUPPORTED BY ADJUSTMENT MEASURES AND CONSULTATIONS AS FOLLOWS: (A) PRICE FLUCTUATIONS IN THE WORLD WHEAT MARKET WILL BE MORE MODERATE WITH A RESERVE THAN WITHOUT, (B) EXPORT SUPPLIES, AT LEAST FROM THE US WOULD BE AVAILABLE TO MEMBERS AT PRICES EQUAL TO THOSE BEING PAID BY US CONSUMERS, (C) CONSULTATIVE MECHANISM GIVING MEMBERS OPPORTUNITY TO CONSULT ON EFFECTS OF NON-MEMBER PURCHASES AND ON PRODUCTION ADJUSTMENT.

4. CANADA (MINER) REINFORCED WITH SIMILAR SELLING POINTS STRESSING THAT KEY DIFFERENCE BETWEEN MEMBERS AND NON-MEMBERS WILL BE THAT MEMBERS WILL HAVE "INVOLVEMENT AND INFLUENCE" IN A NEW AGREEMENT.

5. DURING DISCUSSION OF SPECIAL PROVISIONS FOR LDC'S WITH RESPECT TO STOCK ACCUMULATION, MAINTENANCE AND STORAGE, THE US MADE FOLLOWING STATEMENT:

AS I HAVE INDICATED, MR. CHAIRMAN, THE FORMULA ON RESERVE STOCK SHARES THAT MY DELEGATION HAS PROPOSED TO THIS COMMITTEE DOES TAKE INTO ACCOUNT THE IMPORTANT FACTOR THAT THE SHARING OF INTERNATIONAL RESERVES SHOULD REFLECT THE FINANCIAL CAPACITY OF PARTICIPATING COUNTRIES. FOR THAT REASON, THE INCLUSION OF THE PER CAPITA GNP ELEMENT HELPS APPORTION THE DISTRIBUTION OF SHARES IN AN EQUITABLE LIMITED OFFICIAL USE

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FASHION. THE US DOES NOT BELIEVE, HOWEVER, THAT THE PARTICIPATION OF ANY COUNTRY IN A RESERVES ARRANGEMENT SHOULD BE CONDITIONED BY INSISTENCE THAT THE INVESTMENTS AND COSTS NECESSARY SHOULD BE BORNE BY OTHER MEMBERS. THE DECISION ON WHETHER OR NOT TO PARTICIPATE IN THE INTERNATIONAL RESERVES ARRANGEMENT UNDER DISCUSSION SHOULD BE DETERMINED BY THE VALUE OF SUCH A SYSTEM ITSELF TO EACH INDIVIDUAL COUNTRY. EACH COUNTRY PARTICIPATING WILL NECESSARILY INCUR FINANCIAL COSTS IN MAINTAINING ITS SHARE OF THE OVERALL TOTAL, BUT EACH COUNTRY WILL ALSO BENEFIT FROM THE TOTAL OF SHARES TO BE ESTABLISHED AND MAINTAINED BY ALL OTHER MEMBERS OF THE SYSTEM. THE UNITED STATES BELIEVES THAT A PRICE STABILIZING WHEAT AGREEMENT THAT INCLUDES FOOD SECURITY RESERVE PROVISIONS WILL OFFER SUBSTANTIAL BENEFITS TO ALL PARTICIPATING COUNTRIES, AND ALL MEMBERS SHOULD THEREFORE BEAR A FAIR SHARE OF THE RESPONSIBILITY FOR ESTABLISHING AND MAINTAINING THE ARRANGEMENT.

MOST OF THE PROVISIONS THAT HAVE BEEN PROPOSED UNDER ARTICLE 16 WOULD SIGNIFICANTLY ALTER THE OBJECTIVES OF A WHEAT TRADE CONVENTION AND COULD UNDERMINE ITS NEGOTIABILITY. SOME OF THE INSISTENCE THAT HAS BEEN PLACED ON

THE PROPOSALS CONTAINED IN ARTICLE 16 CANNOT HELP BUT LEAD TO THE IMPLICATION THAT STABILIZATION OF WORLD MARKETS AND INCREASED COMMITMENTS FOR FOOD ASSISTANCE ARE OF LITTLE VALUE TO DEVELOPING COUNTRIES.

THE UNITED STATES POSITION OPPOSING THE INCLUSION OF MAXIMUM AND MINIMUM TRADING PRICES IN AN AGREEMENT HAS BEEN MADE QUITE CLEAR. ACCORDINGLY, WE ALSO DO NOT FAVOR PROPOSALS FOR PREFERENTIAL MEASURES WITH RESPECT TO SUCH PRICE PROVISIONS. WE ALSO DO NOT BELIEVE THAT IT IS APPROPRIATE TO ESTABLISH NEW PROGRAMS UNDER THE INTERNATIONAL WHEAT COUNCIL TO PROVIDE CAPITAL ASSISTANCE FOR INFRASTRUCTURE INVESTMENTS OR TO ESTABLISH NEW FACILITIES FOR BALANCE OF PAYMENTS ASSISTANCE TO FINANCE THE ACQUISITION OF STOCKS. INSTITUTIONS ALREADY EXIST, BOTH NATIONAL AND MULTILATERAL, LIMITED OFFICIAL USE

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
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FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 7114

ALL WHEAT NEGOTIATIONS POSTS

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C O R R E C T E D C O P Y (ADDED ALL WHEAT NEGOTIATIONS POSTS)

USOEC, USEEC, USMTN

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ALL POSTS FOR AGATT

TO PROVIDE SUCH ASSISTANCE, WHERE APPROPRIATE, AND THERE IS NO REASON TO ATTEMPT TO DUPLICATE THEM. LIKEWISE, ON THE NEED FOR FINANCIAL ASSISTANCE IN CARRYING RESERVE STOCKS, THE NEEDS WILL VARY FROM COUNTRY TO COUNTRY AND IN SOME CASES MIGHT BE QUITE MARGINAL. SOME DEVELOPING COUNTRIES THAT ALREADY DO MAINTAIN RESERVE STOCKS AT THE NATIONAL LEVEL WOULD PROBABLY NOT HAVE TO INCUR ADDITIONAL STORAGE COSTS. IT SEEMS OBVIOUS IN THE CASE OF SUCH COUNTRIES THAT THE BENEFITS FROM RESERVE STOCKS ALREADY DO JUSTIFY THE STORAGE COSTS INCURRED.

THE UNITED STATES, OF COURSE, HAS NO REASON TO OBJECT AND, LIMITED OFFICIAL USE

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INDEED, WOULD STRONGLY ENCOURAGE MEMBER STATES OR INTERNATIONAL AGENCIES DIRECTLY TO ASSIST IN FINANCING THE PURCHASE OF WHEAT TO HELP DEVELOPING COUNTRIES ESTABLISH THEIR RESERVE STOCKING OBLIGATION OR TO HELP THEM STORE AND MAINTAIN THEIR STOCKS. ANY SUCH PROGRAM, HOWEVER, SHOULD APPROPRIATELY BE CARRIED OUT BETWEEN THE PROSPECTIVE DONORS AND THE DEVELOPING COUNTRY CONCERNED. SORENSON

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